

# Prepaid College Tuition Fund in Trouble

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The Alabama Prepaid Affordable College Tuition program is in financial trouble. PACT officers, like other groups, say the economy is taking its toll.

The state began the program in the late 1980's, allowing parents to lock in tuition rates by paying in advance. In return, it guaranteed students paid tuition to an Alabama college or university.

The PACT board says its money problems are a combination of three factors: the decline in investment values as a result of the economy, an increase in college tuition and fees and more students utilizing the program since 2006.

Some parents say the state would be defrauding them by not giving them what they paid for if the program went under.

"I expect the state to do what they said they'd do which is provide a college tuition for the fees that was written out in the pact when I bought it," said parent Ralph Proctor.

Proctor worked hard to invest more than \$9,000 in the state's prepaid college tuition fund for his two children. When he thinks about that vanishing, he gets angry.

"I think if it fails, I don't think I'm one that would just lay over and say too bad for me."

Friday, the PACT board sent letters to the 48,000 people who invested in the plan. It says the economy hurt its investments, dropping 19 percent over the last quarter.

"That has been an issue because the equity asset application, that puts all the money in one pool and invests it," said Gregory Fitch, Chairman of the Alabama Commission on Higher Education.

Fitch says the fund's assets dropped from \$606 million in September 2008 to \$484 million in December 2008. He says \$96 million of that loss is in market depreciation of investments and what is left is not insured.

"These agreements that were initiated and so forth, have clear information in the agreement that outlines the risk factor and the potential problems that could occur on this investment," said Fitch.

"The state never said, 'if we make extra money we're sending you any back .They didn't say we're going to invest this money and if we get a 40 percent return we're going to write you a check because it's more than we expected,'" said Proctor. "Nor did I expect that."

But what he did expect, like so many other parents, was paid tuition for his children. Now, that is in jeopardy.

"The state agreed to give me a college tuition," said Proctor. "We've got to figure out a way for them to pay for that."

The PACT board created a website to inform parents of any changes with the program. Go to [www.800alapact.com](http://www.800alapact.com). State workers update the site every Friday at 2 p.m.

The board meets again in three weeks. It will then review new figures and discuss what happens next.

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